

THE LEONARD LETTER

*A weekly electronic newsletter about
California government, business and taxes
Bill Leonard, Member
State Board of Equalization*

December 19, 2005

***** There will be no Leonard Letter on Monday, December 26. We will return on Tuesday, January 3, 2006. Merry Christmas and Happy New Year!*****

QUOTE OF THE WEEK

"And the angel said unto them, Fear not: for, behold, I bring you good tidings of great joy which shall be to all people. For unto you is born this day in the city of David a Saviour, which is Christ the Lord." --- Luke 2:10-11

*****Lost in Translation*****

From the blog 12-14 <http://www.billleonard.org/>

The Board is considering revising a regulation dealing with fuel taxes. In a draft of the proposal, under the heading, "Definitions" is the following text. Interpretations are welcome – I honestly do not know what to make of it:

"Under a two-party exchange contract, a supplier that is a position holder in fuel in one terminal and another supplier that is a position holder in fuel in a different terminal shall provide to each other authority to remove fuel across the rack at the terminal where the delivering supplier holds position and the receiving supplier does not hold a position. The two-party exchange contract allows each supplier to have a mutual rack removal capability at a terminal where the delivering supplier is a position holder and the receiving supplier is not a position holder. The two-party exchange contract may permit the two-party exchange to be concurrent or consecutive."

****Kudos to the SF Chronicle*****

From the blog 12-13 <http://www.billleonard.org/>

I thank the San Francisco Chronicle for their truthful labeling in a story last week. The California Budget Project is a group that makes public policy arguments from the left of the political spectrum. Invariably, they appear in countless stories during the state's Budget process arguing for higher taxes, higher minimum wage, etc. However, I have never seen a newspaper correctly report that they are an ideological organization -- until the Chronicle did it last Tuesday. I am hopeful the Sacramento Bee, and other newspapers, note that the Chronicle correctly describes the organization as "the liberal Sacramento policy group".
<http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2005/12/13/BUG5UG6VT61.DTL>

ISSUE FOCUS

*****A Pro-Family Tax Reform Plan*****

Ramesh Ponnuru in National Review has a response to the President's Tax Commission. Ponnuru suggests adding the policy goal of making the changes pro-family. He argues that we ought not penalize investments in children. Parents raise the people who will one day pay for Medicare and Social Security. A pro-family tax code can help address this need.

Here is a summary of Ponnuru's ten-point plan which I would also recommend to the President and Congress:

1. Start with the current tax code, instead of starting from scratch.
2. Triple the standard deduction and fold the personal exemption and most of the itemized deductions into a much larger standard deduction of \$15,000 per adult.
3. Keep the itemized deductions for mortgage interest and charitable contributions and allow people to take these deductions in addition to the standard deduction. More people will take this, so some deductions would have to be smaller – say, a \$800,000 limit on mortgage deduction rather than \$1 million.
4. Get rid of the AMT for individuals.
5. Fold the existing child credit, the child-care credit, and the adoption credit into a new, enlarged child credit of \$2,500 per child.
6. Eliminate the “head of household” filing status.
7. Cut taxes on capital. Tax dividends once, either at the corporate level or individual level. Treat capital gains as regular income but exclude 50 percent of net long-term capital gains. Tax estates at the same rate as long-term capital gains.
8. Cut corporate taxes. Bring top rate down to 32 percent.
9. Replace six individual income-tax rates with two, set at 16 and 32 percent. The border between them set so as to raise the same amount of revenue as the current tax code.
10. Stop real income bracket creep. As people grow wealthier, they move into higher brackets. This puts government growth on autopilot. The income level required to trigger the 32 percent bracket should rise with wages, as should the size of the standard deduction and child credit.

*****Take on Drunk Drivers Again*****

Back in 1989 I authored a law to lower California's legal blood alcohol limit from .10 to .08%. I tried to get it even lower, and still believe that drivers are impaired long before they are legally drunk. After the law took effect, deaths caused by drivers under the influence dropped. Unfortunately, that count is on the rise again, creeping up from a low of 1,072 statewide in 1998 to 1,462 last year. The reduction did not come because of any magic in the .08 number; deaths went down because the publicity generated by the new law made people more aware of, more angry about and more cautious of driving after drinking at all. So many years later, the beneficial effect of that publicity has worn off. It is time to act again to prevent more tragic and senseless deaths.

The publicity of a new, lower drunk driving limit would result in another drop in these unnecessary deaths. Yet I fear that such stricter laws do not have a chance. Most attempts to crack down on DUI go down to defeat at the hands of the Assembly Public Safety Committee. Consider this quote from the committee chair, Assemblyman Mark Leno, who argued against increasing fines, boosting jail terms or permanently revoking drivers' licenses for those convicted of DUI: "When you take away someone's driver's license for a lifetime, you take away their incentive to ever deal with their alcoholism. I think the approach needs to be one of illness. These are not rational acts. Clearly, alcoholism is the problem." With all due respect, Mr. Leno, let's help alcoholics who drive drunk by taking them off the road and getting them to admit the wrongfulness of their behavior. It should be the committee's job to set strict laws that discourage people from drinking and driving and punish those who ruin the lives of others when they do drink and drive.

TAX TIP

*****Mileage Rate Correction*****

Last week I published what I thought were the latest mileage deduction rates. Turns out the IRS has announced rates for 2006. There are substantial differences from the 2005 rates.

For all business miles driven next calendar year, taxpayers will be able to deduct 44.5 cents per mile (up from 40.5 cents/mile for Jan. to Aug. 2005 but down from the 48.5 cents/mile for Sept. to Dec. 2005).

For deductible medical and moving expenses, taxpayers can deduct 18 cents per mile – up from 15 cents in 2005. When providing goods or services to a charitable organization, taxpayers can deduct 14 cents per mile. The charitable mileage rate is set by law and it does not fluctuate with vehicle expenses.

*****A Good Read*****

Though there is no greater work about our Lord and Savior Jesus Christ than the Bible itself, sometimes children need to hear stories told in more congenial manner to truly understand their import and joy. I think that was what was on the mind of the great Charles Dickens when he wrote "The Life of Our Lord" in 1849. He did not write it as a novel or newspaper article for publication. Rather, he wrote it exclusively for his own children. It was his personal effort to transmit his love for Jesus Christ to his children. He began, "My dear children, I am very anxious that you should know something about the history of Jesus Christ. For everybody ought to know about Him. No one ever lived, who was so good, so kind, so gentle, and so sorry for all people who did wrong, or were in anyway ill or miserable, as was he." He then tells the story of Christ's birth, ministry and death in a way that truly touches the hearts of little ones. He concludes, "Remember! It is Christianity TO DO GOOD always—even to those who do evil to us." Dickens' words and remembrances of the Jesus's teachings, would brighten any family's Christmas celebration this year.

BOE AND LEGISLATIVE DATES

December 25, 2005 --- Christmas Day.

December 26, 2005 --- State offices closed in observation of Christmas.

December 30, 2005 --- First day to file petitions in-lieu of the filing fee for the June 2006 primary election.

January 2, 2006 --- Legislature reconvenes; other state offices closed in observation of New Year's Day.

January 16, 2006 --- Martin Luther King Jr. holiday.

January 31-February 1, 2006 --- BOE meets in Sacramento.

NOTABLE DATES/ HISTORY

December 19, 1776 --- Thomas Paine published his first "American Crisis" essay, in which he wrote, "These are the times that try men's souls."

December 20, 2000 --- California Republican Ann Veneman was nominated as the first woman to be U.S. Secretary of Agriculture.

December 21, 1937 --- The first feature-length color and sound cartoon premiered (Disney's "Snow White").

December 22, 1775 --- The Continental navy was organized with seven ships.

December 23, 1779 --- Benedict Arnold was court-martialed for improper conduct.

December 24, 1818 --- "Silent Night" was composed by Franz Joseph Gruber. It was sung for the first time the next day.

December 24, 1968 --- Apollo 8 astronauts did a Christmas reading of the Book of Genesis while orbiting the moon.

December 25, 0001 --- The first Christmas, according to calendar-maker Dionysus Exiguus.

December 25, 0337 --- Earliest possible date that Christmas was celebrated on December 25th.

December 25, 0352 --- First definite date Christmas was celebrated on December 25th.

December 25, 1651 --- The Massachusetts General Court ordered a fine (five shillings) for “observing any such day as Christmas.”

December 25, 1868 --- Despite bitter opposition, President Andrew Johnson granted unconditional pardon to all persons involved in the Southern rebellion.

December 25, 1939 --- Montgomery Ward introduced Rudolph the 9th reindeer.

December 26, 1620 --- The Pilgrims arrived at Plymouth, MA.

December 26, 1799 --- George Washington was eulogized by Colonel Henry Lee as “ First in war, first in peace and first in the hearts of his countrymen.”

December 27, 1932 --- Radio City Music Hall, the world's largest indoor theatre, opened in New York City.

December 28, 1912 --- San Francisco’s Municipal Railway started operation at Geary St.

December 29, 1911 --- The San Francisco Symphony was formed.

December 30, 1940 --- California's first freeway (the Arroyo Seco Parkway) opened.

December 31, 1921 --- The last San Francisco firehorses were retired.

January 1, 1853 --- The first practical fire engine (horse-drawn) in U.S. entered service.

January 1, 1902 --- The first Rose Bowl game was held (Pasadena, CA) (University of Michigan-49, Stanford-0).

January 1, 1912 --- First running of San Francisco's famed “Bay to Breakers” race (7.63 miles/12.3 km).

January 2, 1910 – The first junior high schools in U.S. opened in Berkeley, CA.

GENERAL TAX INFORMATION

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115
TDD service for the hearing impaired
TDD phones: 800-735-2929
Voice phones: 800-735-2922

To reach the Taxpayer Rights Advocate’s office for assistance with any BOE issues, see <http://www.boe.ca.gov/tra/tra.htm>, or call toll-free 1-888-324-2798.

HOW TO CONTACT ME

Bill Leonard, Member
State Board of Equalization, Second District
Email: bill.leonard@boe.ca.gov

Northern California Office:

400 Capitol Mall, Suite 2340
Sacramento, CA 95814
Telephone: (916) 445-2181
Fax: (916) 327-4003

Southern California Office:
4295 E. Jurupa Ave., Ste. 204
Ontario, CA 91761-1428
Telephone: (909) 937-6106
Fax: (909) 937-7044